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S·S·KRESGE COMPANY

Sebastian Spering Kresge, Founder and Chairman of the Board

39TH ANNUAL REPORT 1950

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S. S. KRESGE COMPANY

A MICHIGAN CORPORATION

SUBSIDIARIES

S. S. Kresge Company, Ltd.....Toronto, Ontario
Mt. Clemens Pottery Company.....Mt. Clemens, Michigan

EXECUTIVE OFFICES
2727 Second Avenue
Detroit 32, Michigan

OFFICERS

S. S. KRESGE.....*Chairman of the Board*
D. C. FISHER.....*President-General Manager*
C. E. HOLZWORTH.....*Vice President-Store Management*
F. P. WILLIAMS.....*Vice President-Merchandising*
T. G. KING.....*Vice President-Real Estate*
W. G. WALTERS.....*Secretary*
E. H. TODD.....*Treasurer*
J. E. HEARST.....*General Comptroller*

DIRECTORS

HOWARD C. BALDWIN
D. C. FISHER
C. E. HOLZWORTH
S. S. KRESGE
STANLEY S. KRESGE
T. G. KING
C. B. TUTTLE
D. F. VALLEY
C. B. VAN DUSEN
F. P. WILLIAMS
R. R. WILLIAMS

Transfer Agents The Chase National Bank of the City of New York, New York
The National Bank of Detroit, Detroit, Michigan

Registrars City Bank Farmers Trust Co., New York, New York
Manufacturers National Bank, Detroit, Michigan

ANNUAL MEETING

Second Friday of May (May 11, 1951) at 11 o'clock A.M. at the office of the Company. It is the intention of the Company to solicit proxies for use at the Annual Meeting of the Company. In such case the proxy statement is expected to be mailed stockholders about the first week in April.

President's Letter

To the Stockholders of
S. S. Kresge Company

Your Company completed its 39th profitable year of operation, as an incorporated business, with December 31, 1950. The consolidated results from operations during the year 1950 and a consolidated balance sheet as of December 31, 1950 are submitted elsewhere in this annual report to you. These statements cover the operations and condition of the S. S. Kresge Company, a Michigan Corporation, operating in 26 states and the District of Columbia, the S. S. Kresge Company, Limited, incorporated under the laws of the Dominion of Canada and operating in 6 provinces and the Mount Clemens Pottery Company, manufacturer of dinnerware in Mount Clemens, Michigan.

Sales

The sales volume of these companies in 1950 amounted to $294,838,953, an increase of $6,172,631, or 2.14% over 1949. The companies each enjoyed their greatest dollar volume in 1950 and in consolidation exceeded the preceding high, that of 1948, by 1.98%.

Net Income

Earnings after provision for all taxes amounted to $19,703,401, a figure $1,616,084 above the year 1949, for an increase of 8.93%. This net income was equivalent to $3.57 per share of common stock outstanding to compare with $3.28 per share last year. The 1950 earnings are not the highest of record but do exceed all years except those of the three-year period from 1946 through 1948.

There is included in the 1950 income a special credit of $604,308 representing an adjustment of the depreciation allowance charged to income in prior years. This credit was established under an agreement reached, during the year, with the U.S. Treasury Department resulting in a moderate lowering of the depreciation rate allowed on furniture and fixtures. This item together with the $155,138 related to the conversion to U.S. dollars of the net assets of the Canadian company is equal to 14c per share.

We feel that the various costs of doing business were well controlled in 1950. However wages, particularly in the latter months, were rising in common with those in industry generally. It can reasonably be expected that this and other increased costs will in 1951 be offset through added dollar volume.

The taxes levied by the government, Federal, State, and local, continued to increase, amounting to $21,603,885 for 1950. This figure is $4,173,041 higher than for 1949. Increased rates for Federal income and the excess profits tax applicable to the last half of 1950's earnings contributed substantially to this added cost.

Elsewhere in the report the division of our sales dollar as between our employees, suppliers, and stockholders, is shown in both graphic and in statement form.

Dividends

Cash dividends totaling $2.25 per share were paid in 1950. Payments in March, June, and September, were at a 50c per share rate, with that in December equal to 75c per share. In 1949 the dividend payments were at the rate of $2.30 per share. The 1950 dividend payments distributed an amount equal to 63% of the 1950 earnings as compared with the 70% distribution of last year.

Current Position

Although the Companies continue in a strong liquid position there is a substantial reduction in government bonds held as between the end of 1949 and 1950. Cash at December 31, 1950 amounted to $36,915,689 or $1,909,933 more than a year ago but the Companies investment in United States Government Bonds at $21,320,813 is $11,878,484 below that at December 31, 1949.

Merchandise inventories are higher than at the end of last year being valued at $45,314,658 at December 31, 1950. The increase over a year ago is $12,192,175 or 37%. Increased inventories of merchandise are necessary if we are to reasonably serve our customers' needs during a period of rising prices and high demand.

The new warehouse at Fort Wayne, Indiana completed in late 1950 made its first shipments to stores in December. The merchandise here represents a substantial portion of the inventory increase.

Merchandise inventories at the S. S. Kresge Company's stores were valued by what is commonly described as the "Retail Method," recognizing such reductions in value as had occurred since the merchandise was purchased. At the year end all inventories were valued at cost or market, whichever was lower. Our method of valuation gives recognition to a need for a fair margin for selling expense and profit.

Fixed Assets

During 1950 the Companies expended for additions to properties $16,915,609. These expenditures related principally to new stores opened during the year and stores modernized and enlarged, and the new warehouse at Fort Wayne, Indiana.

Depreciation of properties amounting to $3,893,883 was provided during the year through a charge to earnings of the period. Rates of depreciation applied for all types of properties were the same as in 1949 except for furniture and fixtures upon which we have commented earlier.

Liabilities

There is an increase of $6,133,819 in the amount of current liabilities over that at the end of 1949, the December 31, 1950 figure being $34,715,302. Increases are normal and related to the increased volume and other factors of current operations.

The amount of mortgage indebtedness at $3,031,150 is above that of last year by $866,516 and relates to the purchase of a property in Boston, Massachusetts.

Reserves

The balances in the reserves for self-insured risks related to fire, casualty, public liability, and workmen's compensation are approximately the same as a year ago. Losses during 1950 were charged against income of the year. Current balances are considered adequate.

General Comment

A new sales record was established by your Company in 1950. With appreciation we pay tribute to our loyal and energetic personnel for this accomplishment.

Recognizing that the personnel which man our stores, warehouse, and offices, are our most valuable asset, we did, in late 1950, review and adjust the compensation of all levels of employees. As a part of this problem your Board of Directors at the same time approved entering into negotiations to provide certain upward adjustments of the pension retirement plan to the benefit of all personnel classifications. It is estimated that the ultimate cost of these latter adjustments applicable to past service will amount to approximately $4,000,000.

During the year 1950 eight stores were closed due to lease expirations. Leases were not renewed because the history of sales and earnings did not warrant a continuance. At the year end, seven red front stores and seven dollar stores were consolidated. This will bring about a more efficient operation for customers and the Company.

It is difficult to make a prediction for 1951 because of the international situation by reason of which your Company, with all others, is confronted with new Governmental controls, new taxes, and unforeseen economic uncertainties. However, customer income and demand for goods continues at high level and these factors should result in satisfactory sales for the current year.

It is through trying periods like the present that employee, employer, and our Government must work hand in hand to preserve our American Free Enterprise System, and to this end your Company pledges its complete cooperation.

Chairman

President

These Beautiful Kresge Stores Welcomed Thrifty Shoppers in 1950

This impressive new Kresge store in Indianapolis offers the utmost in structural beauty and shopping accommodations.

INDIANAPOLIS, INDIANA

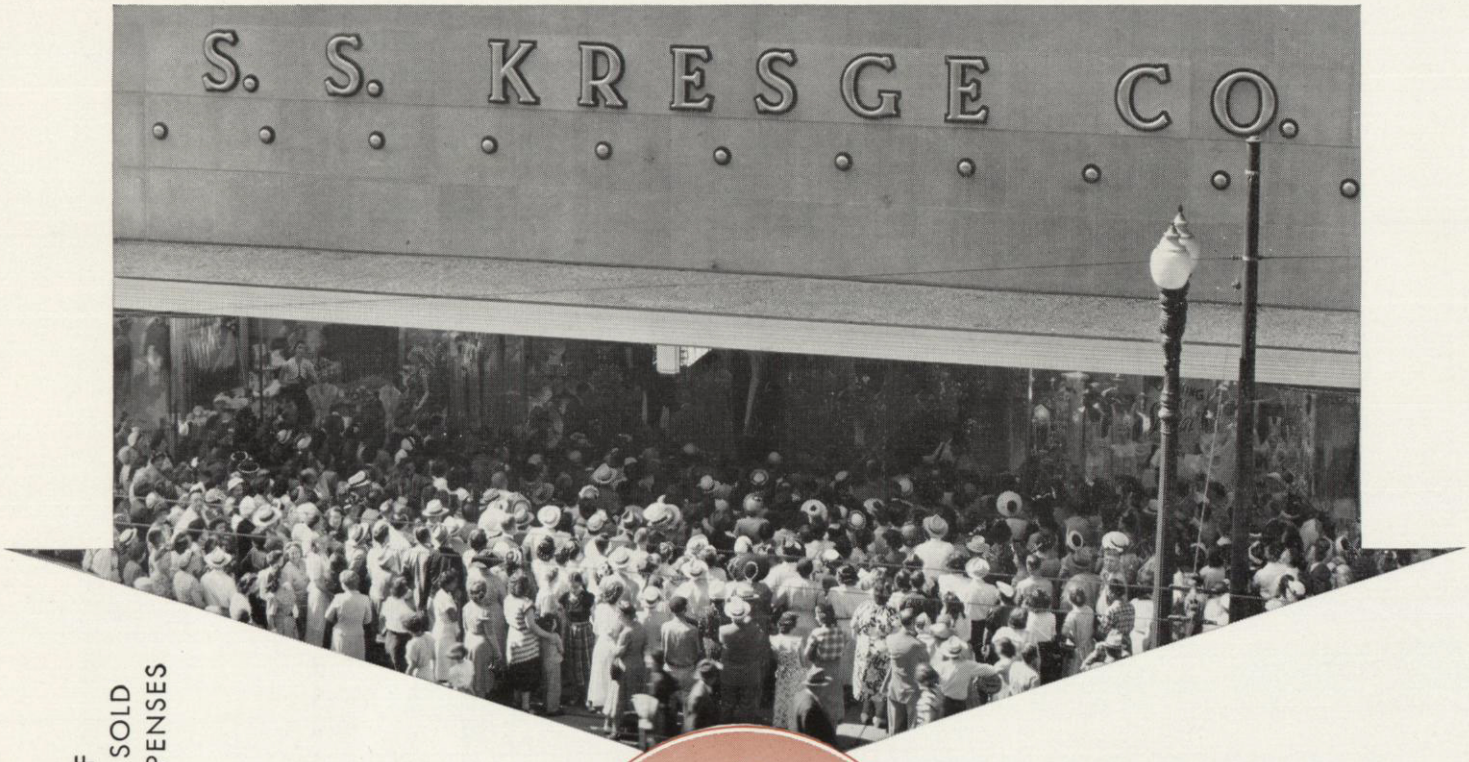
This modern, complete new building replaced the former structure in the greatly enlarged Kresge store in Syracuse.

SYRACUSE, NEW YORK

A complete modernization program, inside and outside, has made this St. Louis store an outstanding shopping center.

ST. LOUIS, MISSOURI

Where Our Sales Dollars Come From



How Our Sales Dollars Were Used in 1950

COST OF GOODS SOLD AND EXPENSES
65.01%

SALARIES AND WAGES, EMPLOYEES' BENEFITS
18.86%

ALLOWANCE FOR WEAR, OBSOLESCENCE OF BUILDINGS AND EQUIPMENT AND REPAIRS
2.12%

TAXES PAID TO FEDERAL, STATE OR CITY GOVERNMENT
7.33%

DIVIDENDS PAID TO STOCKHOLDERS FOR USE OF THEIR MONEY
4.21%

EARNINGS RETAINED IN THE BUSINESS FOR EXPANSION AND MODERNIZATION
2.47%

The Accounting for Our Sales Dollars

THE ringing of more than 20,000 cash registers in Kresge stores signifies the public's acceptance of Kresge values. It is from this steady flow of funds that new merchandise is purchased, payrolls, taxes and other expenses are paid, and out of which your Company has earned a profit each year since its incorporation.

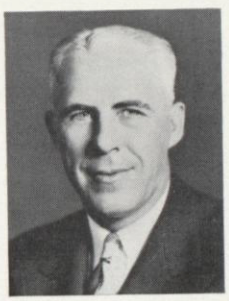
Kresge's accounting system is a centralized organization with offices at Detroit, Michigan, and Toronto, Canada, supplemented by relatively small office forces in each store. With the exception of store payrolls, disbursements for goods purchased and expenses of the business are made from these offices following approval of the charges at the individual store.

The necessary records for compliance with Federal, State and local requirements are centrally maintained. In addition to the taxes levied directly against the corporation, your Company acts as governmental agent at many points for collecting sales and excise taxes from customers and withholding taxes from approximately 37,000 employees, each of which involves a substantial record and reporting requirement not directly related to Kresge's own operations.

More important, from a company viewpoint, are the centrally maintained records for each of the 694 stores, and districts, just as if each was operated under separate ownership. These records provide the information for control of individual store operations and form the basis of establishing the profit sharing compensation of nearly 800 store managers, store superintendents, district managers and others.

Here, also, are kept the records of properties, land, buildings and fixtures, and the many other elements used in and by Company business. In order to handle economically, accurately and efficiently this large volume of accounting, your Company employs the most modern methods of machine accounting.

In the tabulating department, more than 40,000 machine-punched tabulating cards are electrically sorted each day. They represent all transactions charged to Kresge stores.



JOHN E. HEARST
Comptroller

Joined Kresge's Canadian subsidiary in 1929 and became comptroller in 1930. Transferred to Detroit in 1936 as comptroller of the entire Kresge organization.

WILLIAM G. WALTERS
Secretary of the Company

Entered Kresge service in 1927, in the real estate department. In 1943 he assumed special duties on merchandise priority work. Elected secretary in 1945.

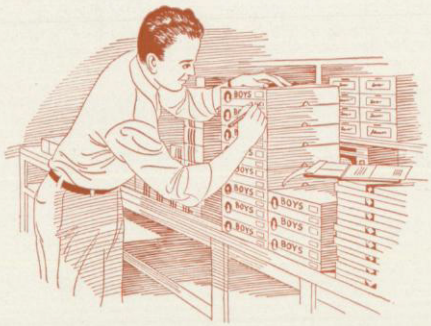
EARL H. TODD
Treasurer of the Company

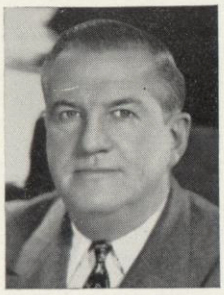
Became associated with Kresge's in 1925, in the Kresge store at Columbus, Ohio. In 1927 he became assistant treasurer of the Company. Elected treasurer in 1945.

STANLEY S. KRESGE
Director and Assistant Secretary

Started as a store trainee in 1923. Became a store manager in 1927. Has held many positions in the home office. Made assistant secretary in 1943 and a director in 1950.

How Your Stores Are Managed





CHRISTOPHER E. HOLZWORTH
Director and Vice President in Charge of Store Management

With Kresge since 1908. He has served as store manager, superintendent and district manager. He became a director in 1934 and a vice president the following year.

FEW people realize the many factors involved in the profitable operation of a Kresge store. A competent sales force and good merchandise are requisites, of course. But with these basic essentials must go the most capable store management.

That is the responsibility of Christopher E. Holzworth, who directs your Company's store management program. Mr. Holzworth joined the Kresge Company in 1908, and has gained wide experience in every phase of store management.

Under his guidance, men are carefully chosen for store managerships, thoroughly schooled in every branch of store operations, and after attaining these positions, are further developed through the help of Kresge's district office organization.

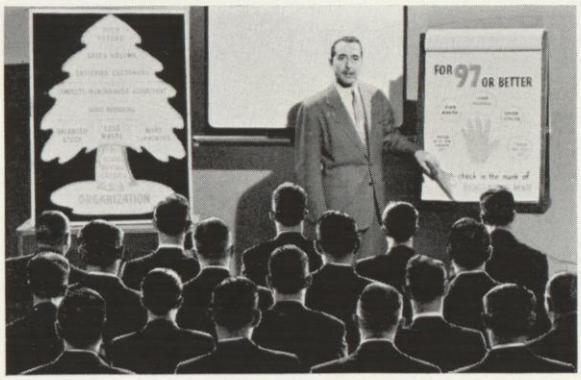
Each of these district offices, to which is assigned a group of Kresge stores for supervision and counsel, is composed of a district manager and a staff of superintendents, all of whom previously managed Kresge stores. They periodically contact store managers to see that all Company policies are accurately interpreted and executed and to offer every possible assistance to improve store operation.

They advise and aid managers in ordering, displaying and selling merchandise—in carrying well balanced inventories—in selecting qualified personnel—and in other methods of conducting a well managed store.

So much depends upon the capabilities of store managers that the selection of competent men for future store management has long been a major project at Kresge's. Each year the personnel department, under

An assistant manager's training includes conducting sales classes, which not alone improves the efficiency of a store's sales staff, but also develops his own ability.

A Kresge manager must work harmoniously with his immediate assistants as well as with the entire store personnel. Such cooperation stimulates sales and improves service.



Once a year formal training meetings for all assistant managers in training for store management are conducted by A. B. Fairbanks in each of the 36 superintendents' territories. In addition, these men receive written material on store operations.

J. E. Armitage, interviews candidates throughout the country, many of whom are college men.

Those who qualify receive detailed training in all departments, beginning in the stock room. From there they move up, step by step, serving as floormen, assistant managers, and in other related executive capacities before becoming store managers.

JAMES E. ARMITAGE
Personnel Director

Became a Kresge member in 1914. He has served as floorman, store manager, superintendent of stores and assistant district manager. Appointed personnel director in 1946.

Among other important duties, a store manager selects his own sales staff. He combines his personal training experience and initiative with an established Company training program conducted by A. B. Fairbanks, which includes slide films, publications, special literature and other features designed to develop an efficient and cooperative sales force.

Important in the training program is the distribution among all employees of the "Kresge News," a friendly, interesting Company publication which contains news and pictures of people, events and general information connected with the entire Kresge organization.

Executive Changes in 1950

Pursuant to the retirement policy of your Company, three Kresge buyers—F. G. Hitchcock, H. G. Patton and A. E. Strawser — retired from active duty on December 31st, 1950. These men were long associated with the Kresge Company . . . each has had a service record equalled by few executives in any company. The S. S. Kresge Company has profited through its association with men of their calibre—they were a part of the executive team for many years.

Mr. Hitchcock was the dean of the buying staff, having been employed by Mr. S. S. Kresge in February, 1909. He was a store manager as well as a superintendent of stores, and became a buyer in November, 1914.

Succeeding Mr. Hitchcock is H. G. Cardwell, who became a member of the Company in 1926. He was assistant sales manager from May, 1947.

Mr. Patton joined the Kresge Company in 1913. He was a store manager and superintendent of stores, and became a buyer in 1918.

His successor is W. E. Sturges, a member of the Kresge organization since 1925. He was assistant to the president from July, 1948.

Mr. Strawser entered the employ of the Kresge Company in 1911. He managed several Kresge stores and was a superintendent of stores before becoming a buyer in 1927.

Mr. Strawser is succeeded by G. C. Hill, a Kresge man since 1922. He was merchandise manager of the Detroit district from 1947.

Other Promotions

H. B. Cunningham, to assistant sales manager. He started his Kresge career in 1924. From January, 1947, he was superintendent of stores in the Detroit district.

C. O. McAllister, to assistant district manager of the Pittsburgh district. He joined Kresge's in 1927, and was in charge of the store expense control from October, 1946.

G. L. Moorman, to merchandise manager of the Detroit district. He served as manager and superintendent of stores.

L. J. Vollmer, to head of expense control. A Kresge member since 1924, he was a manager and superintendent.

S. S. KRESG
(A MICHIGAN
AND SUBSIDIA

ASSETS

	1950	1949
CURRENT ASSETS:		
Cash	$ 36,915,689	$ 35,005,756
U. S. A. and Canadian Government securities, at cost	21,320,813	33,199,297
Miscellaneous accounts receivable, less allowance for possible losses in collection	807,954	777,619
Merchandise and materials on hand and in transit, at lower of cost or market	45,314,658	33,122,483
	$104,359,114	$102,105,155
OTHER ASSETS:		
U. S. A. Government securities deposited in escrow, at cost	$ 93,008	$ 1,093,017
Miscellaneous securities, at cost	108,825	99,016
Long-term account receivable	162,494	183,473
Post-war refund of excess profits tax (Canadian subsidiary)	—	194,833
	$ 364,327	$ 1,570,339
DEFERRED CHARGES:		
Unamortized leasehold expenses, advance rentals, prepaid insurance, supplies and other expenses	$ 3,769,593	$ 3,545,632
FIXED ASSETS:		
Land and buildings, at cost	$ 74,833,061	$ 67,995,087
Depreciation to date (deduct)	(14,977,136)	(14,117,167)
Leasehold improvements, at cost less amortization	20,081,947	16,754,632
Furniture and fixtures, at cost	37,044,639	34,064,294
Depreciation to date (deduct)	(21,070,303)	(21,176,063)
Leaseholds as valued in 1916, less amortization	178,881	186,829
Construction in progress	3,705,660	3,067,411
	$ 99,796,749	$ 86,775,023
	$208,289,783	$193,996,149

Notes:

(1) The only foreign subsidiary is in Canada. The accounts of that company are included in the consolidated balance sheet in United States dollars as follows:

	1950	1949
Current assets, deferred charges, less current liabilities	$ 4,884,526	$ 4,995,009
Post-war refund of excess profits tax	—	194,833
Fixed assets (less depreciation to date)	18,819,493	16,843,181
Long-term liabilities	(1,465,270)	(1,428,787)

Except for fixed assets (less depreciation to date) the accounts of this subsidiary were converted into United States dollars at the appropriate exchange rates effective on December 31 of each year. Fixed assets (less depreciation to date) were converted at the approximate exchange rates at dates of acquisition. The exchange adjustment of $155,138 resulting from converting the assets and liabilities of the Canadian subsidiary into United States dollars at December 31, 1950 has been credited to income. Except for charges for depreciation, the results of operations of this subsidiary (net income of $1,805,570 in 1950 and $1,712,829 in 1949) are included in the consolidated income account in United States dollars converted at appropriate rates of exchange in effect during each year. Depreciation charges for each year were converted into United States dollars at the rates applied in the conversion of the related assets.

(2) The Company is presently negotiating to provide additional benefits under the pension retirement plan. It is estimated that the past service cost incidental to such additional benefits would approximate $4,000,000.

E COMPANY
CORPORATION)
RY COMPANIES

DECEMBER 31, 1950 AND 1949

LIABILITIES

	1950	1949
CURRENT LIABILITIES:		
Accounts payable—trade	$ 9,358,649	$ 8,380,687
Accrued taxes, payrolls, expenses and miscellaneous accounts payable	10,896,575	9,186,446
U. S. A. and Dominion of Canada income taxes payable (estimated)	14,368,343	10,940,379
Real estate mortgages payable within one year	91,735	73,971
	$ 34,715,302	$ 28,581,483
REAL ESTATE MORTGAGES PAYABLE (Amount payable after one year)	$ 3,031,150	$ 2,164,634
RESERVES:		
For fire and casualty losses, public liability and compensation claims	$ 4,362,000	$ 4,302,000
For post-war re-employment adjustments	116,051	170,941
	$ 4,478,051	$ 4,472,941
STOCKHOLDERS' EQUITY:		
Capital Stock—		
Authorized 10,000,000 shares at $10 par value Issued 5,517,872 shares	$ 55,178,720	$ 55,178,720
Excess of proceeds received from sale of treasury shares over the cost thereof	224,412	224,412
Income appropriated for possible adjustments of merchandise values	2,927,821	2,927,821
Income retained for use in the business, statement attached	107,734,327	100,446,138
	$166,065,280	$158,777,091
	$208,289,783	$193,996,149

To the Board of Directors and
The Stockholders of
S. S. Kresge Company:

We have examined the financial statements of S. S. Kresge Company and its subsidiary companies relating to the year ended December 31, 1950. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of S. S. Kresge Company and its subsidiary companies at December 31, 1950, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Certified Public Accountants

Detroit, Michigan
February 12, 1951

Income and Income Retained

S. S. KRESGE COMPANY

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND INCOME RETAINED FOR USE IN THE BUSINESS FOR THE YEARS ENDED DECEMBER 31, 1950 AND 1949

	Year 1950	Year 1949
Sales	$294,838,953	$288,666,322
Interest income	617,659	593,462
Miscellaneous income	26,914	21,517
	$295,483,526	$289,281,301
Cost of merchandise sold and operating, general and administrative expenses, less income from rentals	$250,711,320	$249,743,173
Taxes—other than U. S. A. and Dominion of Canada income taxes	7,363,885	6,790,844
Depreciation and amortization	3,893,883	3,806,623
Interest expense	162,138	50,608
Miscellaneous other expense	168,345	162,736
	$262,299,571	$260,553,984
	$ 33,183,955	$ 28,727,317
Estimated U. S. A. and Dominion of Canada income taxes (including $452,000 U. S. A. excess profits tax in 1950)	14,240,000	10,640,000
Net income before special credits	$ 18,943,955	$ 18,087,317
Special income credits:		
Canadian exchange adjustment	155,138	—
Reduction in prior years' depreciation as agreed to with Bureau of Internal Revenue	604,308	—
Net income for the year	$ 19,703,401	$ 18,087,317
Income retained for use in the business at beginning of year	100,446,138	95,487,243
Canadian exchange adjustment (deduct)	—	(437,316)
	$120,149,539	$113,137,244
Deduct—Cash dividends paid—$2.25 a share in 1950, $2.30 a share in 1949	12,415,212	12,691,106
Income retained for use in the business at end of year	$107,734,327	$100,446,138

Note—The aggregate minimum amount of rentals, exclusive of taxes and other expenses, for the year ending December 31, 1951 on all real property now leased to the company and its subsidiaries for terms expiring after December 31, 1953 will approximate $8,670,461 (including an estimated amount of $89,000 for certain leases under which no minimum annual rentals are specified). Such rentals are stipulated in 756 leases of which 160 leases provide for some increase in annual rental after 1951. The leases for the most part provide for payment by the lessee of taxes, repairs and insurance. The amount of rentals and expenses paid for the year 1950 on properties covered by the aforementioned leases aggregated approximately $9,542,871 for rentals, $2,577,122 for taxes and $1,152,636 for repairs and insurance.

Sales, Income and Its Distribution Years 1950 and 1949

	AMOUNT		% TO SALES	
	1950	1949	1950	1949
Sales Amounts taken in for merchandise sold	$294,838,953	$288,666,322	100.00	100.00
Cost of merchandise sold and expenses, exclusive of taxes, salaries and wages and interest paid	197,748,851	198,780,256	67.07	68.86
Balance The amount remaining to pay taxes, wages and interest and including the net income of $19,703,401 in 1950 and $18,087,317 in 1949	$ 97,090,102	$ 89,886,066	32.93	31.14
DISTRIBUTION				
Taxes Real estate, personal property, State and Federal franchise and income taxes, sales taxes, licenses, etc.	$ 21,603,885	$ 17,430,844	7.33	6.04
Salaries, wages and employees' benefits The employees' share	55,620,678	54,317,297	18.86	18.82
Interest paid for use of borrowed money	162,138	50,608	.06	.02
Cash dividends Paid to stockholders for use of their money—$2.25 on each share in 1950 and $2.30 a share in 1949	12,415,212	12,691,106	4.21	4.39
Earnings retained in the business	7,288,189	5,396,211	2.47	1.87
	$ 97,090,102	$ 89,886,066	32.93	31.14

KANKAKEE, ILLINOIS — substantially enlarged and thoroughly modernized—an impressive shopping center.

FINANCIAL STATISTICS

Year End Dec. 31	Excess of Cash and Gov't Securities Over Current Liabilities	Ratio of Current Assets to Current Liabilities	Net Working Capital	Percentage of Year End Inventories to Sales
1941	$ 7,344,370	2.70 to 1	$34,970,716	15.46
1942	13,546,794	2.55 to 1	40,676,760	13.42
1943	15,882,528	2.41 to 1	45,893,424	14.27
1944	25,986,597	2.40 to 1	50,202,089	10.98
1945	33,985,682	2.66 to 1	58,857,253	10.80
1946	29,282,576	3.18 to 1	67,144,336	14.74
1947	39,672,567	3.27 to 1	73,194,235	12.10
1948	39,647,299	3.55 to 1	75,726,985	12.15
1949	39,623,569	3.57 to 1	73,523,672	11.47
1950	23,521,201	3.01 to 1	69,643,813	15.37

Year End Dec. 31	Percentage of Fixed Assets to Total Assets	Bank Loans and Funded Debt	Net Earnings as Reported		Dividends Declared	
			Per Sales Dollar	Per Common Share	Per Sales Dollar	Per Common Share
1941	57.65	$1,215,895	$ .054	$ 1.71	$ .042	$ 1.35
1942	52.07	1,319,484	.040	1.45	.032	1.15
1943	46.83	1,203,652	.041	1.54	.032	1.20
1944	43.39	1,081,576	.042	1.63	.030	1.20
1945	41.63	1,202,186	.048	1.93	.031	1.25
1946	40.73	1,147,528	.087	3.98	.055	2.50
1947	40.05	1,280,922	.077	3.77	.046	2.25
1948	42.12	974,748	.075	3.95	.048	2.50
1949	44.73	2,238,605	.063	3.28	.044	2.30
1950	47.91	3,122,885	.068	3.57	.042	2.25

ST. CATHARINES, ONTARIO, CANADA —

A major enlargement and modernization program has vastly improved this Kresge store.

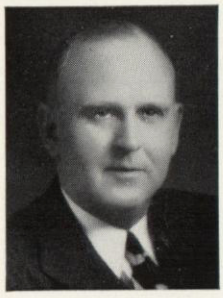
SALES RECORD

YEAR	NUMBER OF STORES			CONSOLIDATED SALES
	UNITED STATES	- CANADA -	TOTAL	
1950	628	66	694	$294,838,953.
1949	636	66	702	288,666,322.
1948	636	64	700	289,119,715.
1947	635	61	696	270,585,779.
1946	635	61	696	251,453,113.
1945	644	61	705	223,253,795.
1944	649	62	711	216,454,010.
1943	654	62	716	206,040,378.
1942	669	62	731	198,679,843.
1941	674	62	736	176,184,464.
1940	682	61	743	158,678,509.
1939	686	59	745	153,911,145.
1938	687	58	745	149,285,601.
1937	686	55	741	155,204,790.
1936	683	51	734	149,523,435.
1935	697	48	745	138,339,968.
1934	685	46	731	137,667,131.
1933	676	44	720	125,972,803.
1932	677	42	719	124,536,620.
1931	673	38	711	145,838,039.
1930	646	32	678	150,508,126.
1929	578	19	597	156,456,732.
1928	506		506	147,465,448.
1927	435		435	133,847,477.
1926	367		367	119,300,074.
1925	306		306	106,055,412.
1924	257		257	90,209,669.
1923	234		234	81,843,233.
1922	211		211	65,191,467.
1921	200		200	55,859,027.
1920	184		184	51,245,311.
1919	174		174	42,668,061.
1918	170		170	36,309,513.
1917	164		164	30,090,700.
1916	160		160	26,396,548.
1915	139		139	20,943,301.
1914	118		118	16,097,394.
1913	101		101	13,258,228.
1912	85		85	10,325,488.

BINGHAMTON,
NEW YORK—

This totally rebuilt and enlarged store affords Kresge customers maximum shopping facilities.

KRESGE VALUES...the Right Merchandise at the Right Price



FRANKLIN P. WILLIAMS
Director and Vice President in Charge of Merchandising

Entered Kresge employ in 1915, and has been manager of several stores as well as superintendent and sales manager. Elected a director and vice president in 1947.

THERE is more to the story behind Kresge's merchandising methods than the mere routine of buying and selling. Serving millions of customers with more than $295,000,000 worth of quality merchandise yearly involves a vast amount of analytical study and promotional effort.

Your Company does not speculate on potential sales volume. It follows the proven policies of a sound and successful background in creating receptive markets for new items and in encouraging steady sales of established goods. Commitments are made only for the actual needs of each store, which reduces carry-overs to a minimum and assures well balanced inventories in relation to the nature of the merchandise and the prevailing economic conditions.

Kresge's pricing policy is a definite sales stimulant. Prices are set to produce a fair and reasonable profit, assuring the public consistently dependable value.

Estimating and achieving maximum sales volume is the important program supervised by Franklin P. Williams, who, since joining the Kresge Company in 1915, has concentrated his experience and talents in the merchandising field.

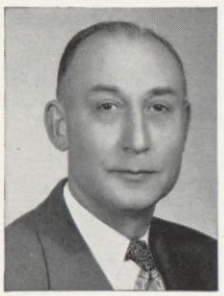
Mr. Williams is responsible for all merchandise carried in Kresge's United States stores, from the original source of purchase to the final point of sale. That is a huge enterprise considering that Kresge's 19 United States buyers alone look to 4,600 sources for the many thousands of items they purchase.

Mr. Williams addressing a monthly meeting of Kresge buyers. These regular sessions are held to discuss various problems related to present and future merchandising conditions.

A typical Kresge window display designed to stimulate interest and invite sales. Kresge windows tie in with national and local promotions and civic and community enterprises.

In addition, there are seven Canadian buyers under R. C. Davies, managing director of the Canadian Company, Ltd.

Through a set pattern of analysis and comparison, all merchandise is thoroughly tested for quality—expertly judged as to sizes, colors, styles and designs—carefully analyzed for practicability and appeal—and in the case of new items, test-sold to determine salability in various localities.



HOWARD J. LIVERANCE
Sales Manager

With Kresge since 1924. He began as a store trainee, and has been a store manager, superintendent and assistant sales manager. Became sales manager in 1947.

This branch of the merchandising program is assigned to H. J. Liverance, sales manager, whose sales department also encompasses displays, advertising and all promotional plans. It is a function of this department to maintain an accurate check on every article carried in Kresge stores and to see that even the smallest areas of counter space are profitably used.

To spur a rapid and consistent turn-over of merchandise, the display department creates attractive, compelling, seasonable window and counter displays, special signs, and in other ways assists stores in developing effective publicity.

The advertising department contributes to successful sales by tuning its messages to the times and trends, and providing a close tie-up with store signs and displays in order to achieve maximum accumulative attention value.

The speedy delivery of merchandise to Kresge stores is a major operation of the merchandising system. And in the matter of distribution, the traffic department has a prominent role. By consolidating a large share of shipping through a central point, and by expert selection of the fastest and most economical methods of transportation, this department is able to save your Company thousands of dollars annually.

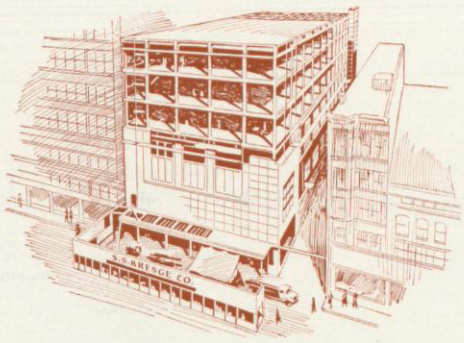
Your Company's huge new warehouse, recently built near Fort Wayne, Indiana, was designed to provide quick distribution service to all stores, 60% of which can actually be supplied overnight. (See page 20)

One of Kresge's most popular items is dinnerware. And the Company-owned Mt. Clemens Pottery, at Mt. Clemens, Michigan, has facilities to turn out 78,000,000 pieces a year, making it one of the largest potteries in the world.

This counter scene shows how your stores utilize all available space and display merchandise for easy selection. Counters are departmentalized for convenient shopping.

The Kresge-owned Pottery covers 350,000 square feet. It is ingeniously equipped to produce quality dinnerware in large volume and create excellent values for your stores.

How a Kresge Store Is Created



To know something of your Company's store development program is to gain a clearer insight into one of Kresge's principal methods of conducting a sound, growing business. For Kresge stores are established, maintained and developed on the basis of current and anticipated future business in the localities involved.

The basic worth of any store venture is the location itself. This fact has long been recognized by Sebastian S. Kresge, founder of the Company and Chairman of the Board. Due to his vast experience and keen foresight in real estate matters, many Kresge stores today occupy the choice business sites in cities and towns in which the Company operates.

Maintaining this peak efficiency in selecting sound, profitable locations is the responsibility of T. George King and his staff of specialists. Mr. King, a lawyer by profession, has been a member of the real estate department since 1916, which has enabled him to coordinate a wealth of real estate experience with his legal background. His expert judgment assures utmost accuracy in obtaining maximum value in all real estate transactions.

T. GEORGE KING
Director and Vice President in Charge of Real Estate

A Kresge member since 1916. He served in World War I and returned to Kresge's real estate department in 1923. Elected a director and vice president in 1948.

A store must continually keep pace with the progress and shopping trends of the area it serves if it is to enjoy increasing patronage and good will. Therefore, it must always provide the best in service, comforts and conveniences.

Keeping your stores rated with the finest shopping centers of their kind requires the constant activity of a vast store construction and modernization program directed by T. B. Murphey. Through this program, Kresge stores are developed to the highest point of public appeal—with modern, impressive exteriors—cheerful, inviting interiors—excellent illumination—spacious entrances and wide aisles to facilitate traffic—rest rooms and lounges—and with air conditioning and convenient parking areas wherever possible.

In this connection, the construction department is an indispensable unit of the store development program. This department is staffed by 87 experts who represent various branches of the building industry. Many work in close contact with contractors and are constantly on the job in a supervisory capacity. This

The Kenosha, Wisc., store will be relocated and enlarged, in an entirely new building.

At Elgin, Ill., a completely new building will be erected at the existing location.

capable "follow-through" procedure, from original design to final completion, assures top efficiency and economy in each store development undertaking.

THOMAS B. MURPHEY
Manager, Construction Department

Came to Kresge's in 1922 as assistant superintendent. Served as general superintendent of the western district and supervisor of the construction department.

New Store and Modernization Program

1950 was a year of progress. The 1950 new store and modernization program was most extensive. *Four* new stores were opened, *one* store was relocated, *four* were rebuilt and enlarged, and *nine* had major additions and modernizations. *Two* others were totally rehabilitated, and *three* had modest changes and improvements. 16 air conditioning jobs were installed, bringing the total number of stores with air conditioning to 174.

The new Kresge warehouse in Fort Wayne, Ind., has been completed. (See page 20.) The warehouse in Bush Terminal, Brooklyn, will be closed in early 1951.

Looking to 1951

Work has been started on these seven new stores, and is expected to be completed in 1951:

Milwaukee, Wisc. — *Lackawanna, N. Y.*
Levittown, L. I., N. Y. — *Silver Spring, Md.*
Detroit, Mich. — *Louisville, Ky.*
Park Forest, Ill.

The Gary, Ind., and Lethbridge, Alberta, Canada, stores are being relocated with considerably enlarged counter space.

Major additions and modernizations are still in progress in the following cities:

Jamaica, L. I., N. Y. — *LaGrange, Ill.*
Kansas City, Mo. — *Chicago, Ill.*
Montreal, Que., Canada

The first four will be completed in 1951.

• • •

It is fully expected that the following new stores will be completed in 1951:

Plymouth, Mich. — *Dayton, Ohio (2 stores)*
Fairfax County, Va. — *Prince Albert, Sask., Canada*
Kenosha, Wisc.

• • •

These stores are being rebuilt at existing locations in the following cities:

Scranton, Pa. — *Elgin, Ill.*
Passaic, N. J. (also enlarged)

• • •

Major enlargements and modernizations will be completed at:

Port Huron, Mich. — *Alton, Ill.*
Oshkosh, Wisc. — *Woodbury, N. J.*
New Castle, Ind.

Your Company has outlined its 1951 new store, modernization and enlargement program so that stockholders will be kept fully informed as to Kresge's plans for growth.

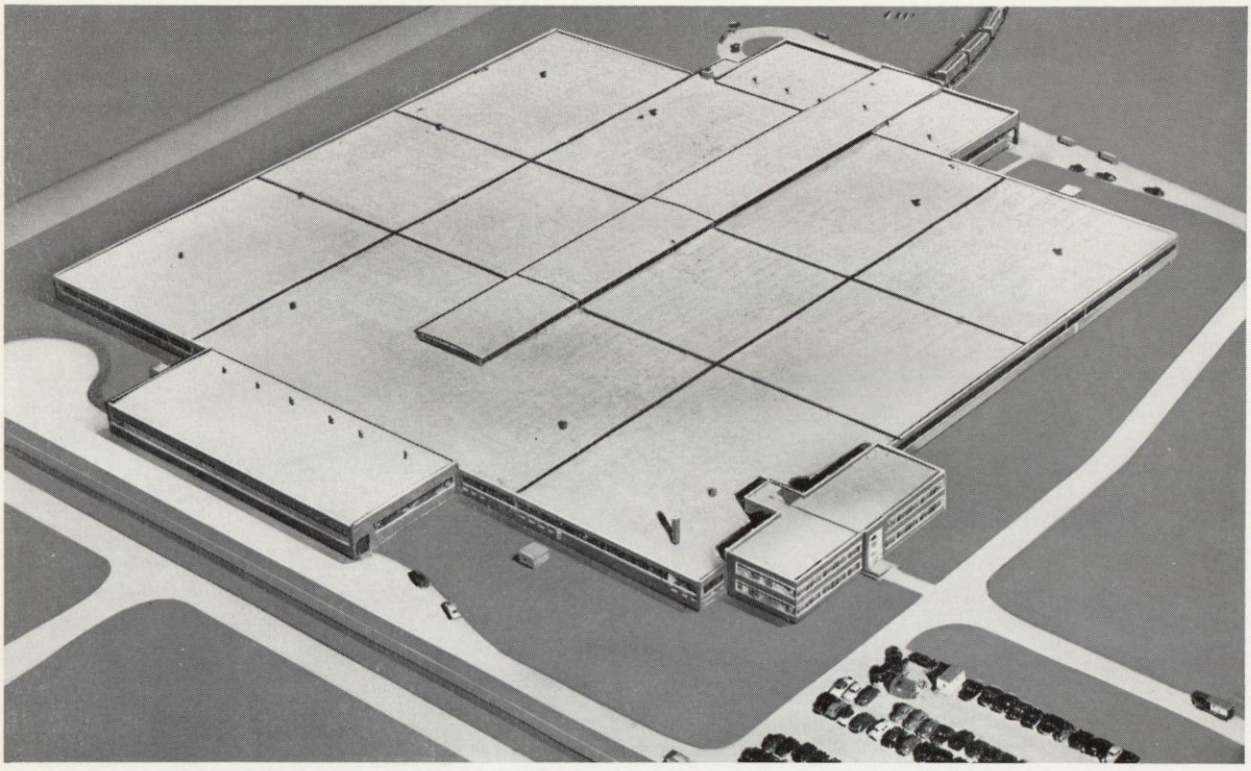
However, as a result of international uncertainties and the restoration of our country's defenses, these plans may be substantially curtailed. Important though it be, such a program is of small consequence as compared with our patriotic duty to cooperate with our government in its great effort to strengthen our defenses.

The Scranton, Pa., store will be replaced with a modern new building at the present site.

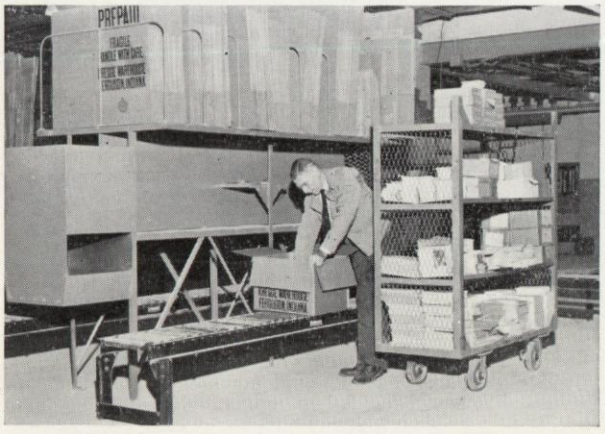
The Alton, Ill., store will be enlarged and modernized to create a finer shopping center.

New Warehouse a Great Asset to Your Company

To keep every Kresge store constantly and fully stocked with new, fresh, timely merchandise is the purpose of this huge warehouse near Fort Wayne, Indiana. Covering eight acres, it has every modern mechanical and automatic facility for the most efficient receiving, storing and distribution of merchandise.



The new warehouse is served by four railroads, five U. S. and three state highways and an adjacent airport. It can accommodate 14 freight cars within the building as well as 32 large truck transports at its receiving and shipping platforms.



Packing for delivery to stores is done in cartons on roller conveyors. Cartons are automatically stapled top and bottom on their way to the shipping sections.

After packing, each store's orders are assembled in pallets which are placed in pallet racks to await shipment. Top efficiency assures fast, safe handling.

Printed in U.S.A.